

## Message Text

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FOR HARTMAN

FOLLOWING REPEAT EC BRUSSELS 8967 ACTION SECSTATE INFO ALL  
EC CAPITALS LISBON 07 OCT

QUOTE

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E.O. 11652: NA

TAGS: PFOR, EAID, PO, EEC

SUBJECT: EC FOREIGN MINISTERS COUNCIL OCTOBER 6-7: FIRST DAY'S  
DISCUSSIONS ON PORTUGAL

1. BEGIN SUMMARY: THE EC COUNCIL OF FOREIGN MINISTERS,  
MEETING IN LUXEMBOURG ON OCTOBER 6, DECIDED TO OFFER  
150 MILLION UNITS OF ACCOUNT (APPROXIMATELY \$175 MILLION)  
IN FINANCIAL ASSISTANCE FOR PORTUGAL FOR THE PERIOD  
JANUARY 1, 1976 TO DECEMBER 31, 1977. THIS ASSISTANCE IS TO  
BE IN THE FORM OF LOANS MANAGED BY THE EUROPEAN INVESTMENT  
BANK (EIB) USING FUNDS OBTAINED ON THE COMMERCIAL MARKET.  
THE LOANS, WHICH WILL BE FOR SPECIFIC DEVELOPMENT ASSISTANCE  
PROJECTS, MAY RUN FOR UP TO TEN YEARS AND WILL CARRY AN  
INTEREST RATE OF 6.5 PERCENT. THE APPROXIMATE THREE PERCENT  
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INTEREST RATE SUBSIDY AND THE COMMUNITY'S GUARANTEE OF THE

LOAN ARE TO BE FINANCED FROM THE EC BUDGET. PORTUGUESE FOREIGN MINISTER ANTUNES, LEARNING OF THE COUNCIL DECISION ON ARRIVING IN LUXEMBOURG FOR HIS MEETING WITH THE FOREIGN MINISTERS, SAID THAT THE DECISION WAS "AN ENCOURAGING POLITICAL GESTURE" AND "PROOF OF THE CONFIDENCE OF THE EC IN THE NEW PORTUGUESE GOVERNMENT." END SUMMARY.

2. AID FOR PORTUGAL: THE EC COUNCIL OF FOREIGN MINISTERS ON THE FIRST DAY OF ITS TWO-DAY SESSION IN LUXEMBOURG OCTOBER 6-7 AGREED THAT THE COMMUNITY SHOULD UNDERWRITE LOANS TO PORTUGAL TOTALING 150 MILLION UNITS OF ACCOUNT (U.A.) WHICH WOULD BE DISBURSED IN 1976-77. THESE LOANS WILL BE RAISED ON THE OPEN MARKET BY THE EUROPEAN INVESTMENT BANK AT AN EXPECTED INTEREST RATE OF APPROXIMATELY 9.5 PERCENT, AND WILL BE MADE AVAILABLE TO THE PORTUGUESE FOR SPECIAL ASSISTANCE PROJECTS FOR PERIODS OF UP TO TEN YEARS AT 6.5 PERCENT. THE THREE PERCENT INTEREST RATE SUBSIDY AND THE GUARANTEE FOR THE PRINCIPAL ARE TO BE PLACED IN THE EC BUDGET. EC COMMISSIONER CHEYSSON ESTIMATES THAT THE INTEREST RATE SUBSIDY WILL AMOUNT TO ABOUT 30 MILLION U.A. (\$35 MILLION) FOR THE DURATION OF THE PROGRAM.

3. PORTUGUESE REACTION: PORTUGUESE FOREIGN MINISTER ANTUNES, WHO LEARNED OF THE COMMUNITY'S DECISION SHORTLY AFTER HIS ARRIVAL IN LUXEMBOURG LATE ON OCTOBER 6 FOR HIS OCTOBER 7 MEETING AND LUNCHEON WITH THE EC FOREIGN MINISTERS, TERM IT "AN ENCOURAGING POLITICAL GESTURE". ANTUNES SAID THAT "PORTUGAL NEEDS MUCH MORE BUT THIS IS SOMETHING FOR A START TO HELP STRENGTHEN LINKS BETWEEN THE EC AND PORTUGAL." HE FURTHER TERMED THE COMMUNITY'S ASSISTANCE EFFORT "PROOF OF THE CONFIDENCE OF THE EC IN THE NEW PORTUGUESE GOVERNMENT." DISCUSSING THE PORTUGUESE POLITICAL SITUATION, ANTUNES SAID THAT THE PRESENT GOVERNMENT WAS THE ONLY GOVERNMENT CAPABLE OF GUARANTEEING DEMOCRACY IN PORTUGAL AND THAT A MAJORITY OF MILITARY OFFICERS FAVORED THE PRESENT GOVERNMENT.

4. BILATERAL AIDS TO PORTUGAL: THE FOREIGN MINISTERS AGREED TO THE COMPILATION OF AN "INVENTORY" OF BILATERAL LIMITED OFFICIAL USE

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FINANCIAL ASSISTANCE MEASURES TO PORTUGAL. TO BE INCLUDED IN THE INVENTORY WOULD BE THE APPROXIMATELY 70 MILLION DMS IN BILATERAL ASSISTANCE FROM THE FRG AS WELL AS PROGRAMS OF THE OTHER MEMBER STATES.

5. ANGOLAN REFUGEE ASSISTANCE: THE FOREIGN MINISTERS BRIEFLY DISCUSSED POSSIBLE ASSISTANCE TO ANGOLAN REFUGEES. NO DECISIONS WERE TAKEN BUT IT WAS AGREED THAT THE MEMBER

STATES SHOULD CONTINUE THEIR EFFORTS TO COORDINATE SUCH ASSISTANCE VIA THEIR AMBASSADORS IN LISBON.

6. ANTUNES MEETING: ANTUNES WILL MEET WITH THE EC FOREIGN MINISTERS ON OCTOBER 7 PRIOR TO A JOINT PRESS CONFERENCE AND LUNCHEON. HE IS EXPECTED TO MAKE A FORMAL REQUEST FOR COMMUNITY ASSISTANCE AND THE COMMUNITY IS EXPECTED TO PRESENT HIM WITH THE DETAILS OF THEIR OCTOBER 6 DECISION. IN ADDITION, ANTUNES IS EXPECTED TO HAVE BILATERAL MEETINGS WITH FRENCH FOREIGN MINISTER SAUVAGNARGUES AND GERMAN FOREIGN MINISTER GENSCHER. GREENWWLD UNQUOTE KISSINGER

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